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SUBJECT: Tourism is the "driving force" in the Egyptian Economy

REF: 09 CAIRO 2247

11. (SBU) Key Points:

--The Ministry of Tourism (MoT) projects a 5-7% increase in tourism revenues and arrivals for 2010 over last year.

--New growth opportunities are expected in Egypt's Mediterranean north shore area and MoT is overseeing plans to increase hotel capacity for the region.

-- MoT plans to pilot a zero emissions resort town in a bid to lure foreign tourists interested in environmental issues.

--Over the last two years, MoT has initiated comprehensive employee training programs in order to build a managerial workforce for the tourism industry.

12. (U) On January 27, Econoff met with Senior Assistant Minister for Tourism Hisham Zaazou, a former tourism executive who serves as a key advisor to Minister Mohamed Zoheir Garana. He also oversees new initiatives such as "green tourism" and improved training programs.

13. (U) After a slight decline in 2009 attributed primarily to the global financial crisis, both tourism revenues and arrivals - two key industry benchmarks - are expected to increase on the order of 5-7% for 2010 (Ref A). According to the Ministry of Tourism (MoT), Egypt remains on track to reach its long-stated target of 14 million tourist visits annually by 2011 - a number set out in President Mubarak's 2005 presidential campaign platform. Egypt's "national tourism plan" targets an annual level of more than 25 million tourists by 2020.

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Growth Areas  
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14. (SBU) Egypt's Red Sea coastal region should remain the country's most popular destination for foreign tourists but Zaazou advised that the MoT is looking to the country's Mediterranean north coast as a key location for new growth opportunities. The area stretching westward from the city of El Alamein (150 miles northwest of Cairo) to the summer resort town of Marsa Matrouh, comprises approximately 300 miles of coastline. MoT is working with real estate developers to triple the number of available hotel rooms in the area, from 7,000 to more than 22,000 in the next 5-10 years. The focus, Zaazou stated, will be on luring European tourists - who make up more than 70% of Egypt's foreign tourist market. The government is currently upgrading four airports in the north shore area (Alexandria, Marsa Matrouh, El-Alamein, and Borg El Arab) with an eye towards eventually allowing low-cost European airlines to service the area and bypass Cairo.

15. (SBU) This potential new growth is crucial to MoT's plan to generate new jobs in the tourism sector. Zaazou noted that for every 1 million new tourism visitors, Egypt generates 200,000 new jobs - listing hotels and tourism companies as the most obvious recipients but also pointing out the rise in demand for skilled tradesmen such as electricians, plumbers, and carpenters. He explained that government economic plans call for the creation of 600,000 new jobs annually. If growth continues as expected, tourism could provide one-third of new employment. "The tourism industry should be the main driving force for the economy," Zaazou said.

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#### Piloting Zero Emission Tourism

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16. (SBU) MoT plans to introduce what it labels "zero emission tourism" in highly visited tourist destinations, starting with the Sinai city of Sharm el-Sheikh. Zaazou asserted that MoT will seek to lower carbon emission by 90% in Sharm el-Sheikh by 2020 by improving water conservation and sanitary systems, increasing dependency on renewable energy sources, and upgrading the city's public transportation system. By 2030, MoT predicts that Sharm el-Sheikh will become a zero emissions resort area. Zaazou explained Egypt is seeking an advantage over its Mediterranean neighbors (notably Turkey) and a future emphasis towards "green

environment tourism" may provide that edge. If MoT is successful with the Sharm el-Sheikh project, Zaazou indicated that Egypt will expand the program to other areas along the Red Sea coastal area but did not identify any specific locations.

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#### Employee Training is Pivotal

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17. (SBU) In the last two years, MoT has begun comprehensive training for current tourism employees as well as youth seeking employment in the industry. Led by the Ministry-controlled Higher Council for Tourism, the program has initially targeted popular resort areas along the Red Sea Coastal area and will train rank and file employees as well as middle and senior managers - primarily for private Egyptian hotels. MoT is not working with foreign hotels since they maintain their own training programs. Zaazou said the goal is to build an Egyptian managerial class that currently lacks sufficient numbers. Zaazou also couched the need for training as a "social impact force." Egypt has problems with people holding "radical Islamist views," he confided. Employee training problems present the opportunity to moderate these views, noting that "exposure to new ideas and education" will allow for improved social interactions between Egyptians and foreigners. (Note: According to press accounts, Minister Garana reaffirmed this training commitment at a World Tourism Organization meeting in Spain on February 1, 2010 where he pledged to upgrade national employee training programs. End Note)

18. (SBU) Comment: MoT's projections for tourism arrivals, revenues, and job creation appear overly optimistic given the difficulties faced by the global tourism market. The intense pace of infrastructure development - especially in the country's north shore - is a major concern if tourism visits do not increase according to MoT's stated 2020 goal. However, the key element in Zaazou's overview of MoT's plans is a newfound commitment to training, a surprising yet welcome development. Contacts in nearly all of the government's ministries repeatedly discuss Egypt's desperate need for a skilled managerial class. If MoT is to meet its ambitious targets, it is critical that it develops a well-trained tourism workforce to convince the foreign tourist

market to regularly return to Egypt.  
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